Can Amazon Deliver?
A Guide to HQ2 for Philly Residents

PHILLY POWER RESEARCH
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Researched and compiled by Philly Power Research
March 2018

Contents

1. Executive Summary..........................................................Page 3
2. What’s Amazon promising?................................................Page 5
3. What’s Philly Offering Amazon?........................................Page 5
4. Who’s Behind Philly’s Amazon Bid?...................................Page 8
5. What could HQ2 bring to Philly?........................................Page 12
6. Amazon’s Already Here: Amazon’s Footprint in Pennsylvania......Page 17
7. Conclusions and Recommendations....................................Page 20

About Philly Power Research: We are a group of volunteer researchers made up of teachers, journalists, analysts, advocates, and organizers working to support economic justice in the city of Philadelphia. We believe in the transformational nature of information to empower people to fight the systems of racism, sexism, ableism and economic power that oppress the disenfranchised around the country and around the globe.
More than $\frac{1}{3}$ of the first round bid has been hidden from taxpayers with pages like this.

Amazon has required the 2nd round bid be kept completely secret.
1. Executive Summary

By now, we know that Philadelphia is on the Amazon HQ2 “shortlist,” making it one of twenty regions being considered for Amazon’s new headquarters location.¹ Last fall, Amazon announced that it would accept proposals from cities hoping to land the mega-corporation’s second headquarters—which it has said will include up to 50,000 high-paying jobs and a $5 billion investment. Cities across North America scrambled to prove they could meet Amazon’s criteria, advertising their strengths—a skilled labor force, access to mass transit, major highways, an international airport — and offering large tax incentives.² The HQ2 sweepstakes has shown cities are willing to go to extremes to lure Amazon into their backyards; Chicago promised to give $1.32 billion in income taxes collected from Amazon workers back to Amazon,³ Chula Vista offered $100 million worth of land for free,⁴ and Newark offered an astounding $7 billion in tax subsidies.⁵ Amazon received 238 proposals, which it whittled down to a shortlist of 20 contenders.⁶ The 20 contenders have submitted second round bids, which Amazon has mandated be covered by a non-disclosure agreement.⁷ Company representatives have been scouting the sites,⁸ but it is still not clear when they will announce their pick.

HQ2 has the potential to transform whichever city it ends up in and Philadelphians need to know what’s at stake. In this report, Philly Power Research takes a closer look at Philadelphia’s bid for Amazon and how HQ2 could impact Philadelphia’s current residents. We found:

- **The city has kept most details of its Amazon bid under wraps.** The public version of its first round HQ2 bid is heavily redacted⁹ and its second round bid has not been released due to a reported non-disclosure agreement with Amazon. This opaqueness is consistent with the other localities that have made it onto the HQ2 shortlist.¹⁰ What we do know is that the city has offered three potential sites for HQ2: Schuylkill Yards, uCity Square, and the Navy Yard. Our investigation shows that some of the biggest current owners of the land offered to Amazon that stand to profit from the deal include Wexford Science and Technology, Drexel University, and Brandywine Realty Trust.¹¹

- **Like many regions competing for HQ2, Philadelphia is proposing massive tax subsidies for Amazon. So far, up to $3 billion in tax breaks have been proposed for the company.**

⁷ https://wamu.org/story/18/01/30/amazon-insists-silence-twenty-hq2-finalists/
¹¹ Compiled from http://property.phila.gov/
Pennsylvania officials planned to offer Amazon more than $1 billion in tax incentives for HQ2. Councilman David Oh also proposed legislation that would waive the city’s business net income tax for Amazon for ten years, allowing the company to avoid up to $2 billion in business income taxes. Any other tax breaks offered in the bid have been redacted from the public version.

- **Two groups led the process of shaping Philadelphia’s HQ2 bid:** the Philadelphia Industrial Development Corporation (PIDC) and The Chamber of Commerce for Greater Philadelphia. PIDC and the Chamber are led by key city-wide power brokers including Drexel President John Fry and real estate developer Walter D’Alessio.

- **HQ2 could have significant negative impacts on current Philadelphia residents.** This includes increasing housing insecurity, straining the city’s existing infrastructure (everything from schools and transit to trash-hauling and water and sewer services), and diverting taxpayer dollars from schools, transit, and housing to Amazon’s coffers. HQ2 could also lead to further entrenched economic stratification by creating many high-paying white collar jobs for Amazon engineers, economists, and data scientists, while offering poverty wages and subpar benefits to cafeteria workers, janitors, security officers, and other onsite HQ2 service workers, as well as Amazon warehouse workers across the state.

- **Even if HQ2 does not come to Philadelphia, Amazon still plays a significant role in Pennsylvania’s economy.** The company is the 19th largest employer in the state (employing over 10,000 people), owns over 9 million square feet of warehouse space in the state, and has received at least $24.75 million in tax subsidies from Pennsylvania.

As Philadelphia residents consider what HQ2 could mean for our city, we hope the following document can serve as a primer on what we know and what we don’t about HQ2 in Philadelphia.
2. What’s Amazon Promising Philly?

In its HQ2 Request for Proposals Amazon lays out its promises. The company says HQ2 will bring as many as 50,000 new full-time employees with an average annual salary of over $100,000 over the next 10-15 years, as well as $5 billion in capital expenditures to whichever city it lands in. 22

3. What’s Philly offering Amazon?

We don’t know a lot of specifics about what the city offered Amazon in their first round bid for HQ2, entitled “Philadelphia Delivers.”23 We know nothing about its round two bid, as Jeff Bezos has put a gag order on “short list cities” like Philly releasing their second round bids to the public. It stands to reason these could be more extreme than the first round bids.

In December, the city released a public version of the bid, but over ⅚ of the 108-page document is redacted. Most of the un-redacted material is background information such as Philadelphia housing prices and descriptions of the universities and transit in the area. The bid did disclose the three sites the city proposed for HQ2: uCity Square, Navy Yard, and Schuylkill Yards.

President of the Chamber of Commerce for Greater Philadelphia Rob Wonderling told the Inquirer that Pennsylvania officials planned to offer Amazon more than $1 billion in tax incentives in exchange for HQ2. 24 Philadelphia Councilman David Oh also proposed legislation that would waive the city’s business net income tax for Amazon for ten years, allowing the company to avoid up to $2 billion in business income taxes. 25 So, there are up to $3 billion in tax breaks on the table for Amazon.

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What other tax breaks could Philadelphia offer?

Keystone Opportunity Zones
Additionally, all three sites proposed for HQ2 are in Keystone Opportunity Zones. We estimate that tax benefits associated with the KOZ could mean up to $500 million in additional subsidies for Amazon.

Wax Tax Relief
Because over ⅓ of Philadelphia’s HQ2 bid was redacted, we don’t know exactly what tax breaks the city offered Amazon. By looking at what other cities are offering and the tax subsidies Philadelphia has doled out in the past, we can speculate about what else might be on the table. Chicago has offered some of the most extreme tax subsidies, giving Amazon the chance to keep all of the income tax paid by their employees. If Philadelphia did the same and Amazon came through on its promise to bring 50,000 employees to Philly making an average of 100k each, that could mean up to 1.5 billion dollars in lost wage taxes for the city over 15 years.

Tax Increment Financing
On the backend, the city could also offer Amazon Tax Increment Financing—a program that gives companies tax breaks in compensation for cost of construction. Amazon’s construction costs are projected at 5 billion dollars over 15 years. If the BIRT tax collects from Amazon’s annual profits (5.4 billion last year), and the city gave Amazon complete BIRT tax relief, this could add up to $485 in lost BIRT taxes.

That means between the first and second round bids, Amazon could receive up to $5.4 billion dollars in tax subsidies from the city of Philadelphia and the state

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26 http://planphilly.com/articles/2017/10/12/kozs-proposed-renewed-to-lure-amazon-to-university-city
27 We calculated the $500 million figure by looking at Philly’s two property taxes - the Real Estate Tax (1.3998% property value) and the Use and Occupancy tax (1.21% property value). We used the value of Comcast’s square footage $274 per sq.ft. in the Comcast tower to estimate the value of Amazon’s potential property. Using the city’s property tax rates and Amazon’s projections for 8 million sq. ft build out over 15 years, we estimated that the Keystone Opportunity Zone tax breaks would give Amazon $245,468,928 in Real Estate Tax Breaks and $212,185,599 in Use and Occupancy Tax Breaks, for a grand total of $458 million in lost taxes over 15 years.
29 We arrived at this number by projecting a consistent growth of employment spread out over 15 years towards Amazon’s year 15 projection of 50,000 employees making 100k/yr on avg, matching the Amazon’s projects of consistent growth for their physical footprint. The number represents the projected wage taxes for each year added together.
30 http://planphilly.com/articles/2013/11/15/tif-districts-generate-less-property-tax-revenue-than-expected
Philadelphians are footing the bill.

At Least $3 billion over 15 years = 357 Schools
Up to $ 5.4 billion over 15 years - 644 schools
Between $200 million and $360 million/year avg. = 23-42 schools unfunded each year (out of 182)

By our estimates, if Philly exempts Amazon from nearly all its taxes, it would cost taxpayers an average of $360 million a year over 15 years in bills for the services they would use for free. That’s the average cost of operating 42 schools in a year — or about 630 school budgets unfunded over 15 years.

Whose children go to the average neighborhood school?[^31]

A look at the children who go to the Average Neighborhood School, based on SDP statistical data.

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically Disadvantaged</td>
<td>96%</td>
</tr>
<tr>
<td>White (not Hispanic)</td>
<td>12.45%</td>
</tr>
<tr>
<td>Black/African American (not Hispanic)</td>
<td>5.05%</td>
</tr>
<tr>
<td>Hispanic (any race)</td>
<td>18.16%</td>
</tr>
<tr>
<td>Asian (not Hispanic)</td>
<td>6.18%</td>
</tr>
<tr>
<td>American Indian/Alaskan Native (not Hispanic)</td>
<td>0.22%</td>
</tr>
<tr>
<td>Multi-Race/Two or more races (not Hispanic)</td>
<td>6.85%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander (not Hispanic)</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

[^31]: See our full calculations here: https://docs.google.com/spreadsheets/d/1N3I9FoKVC0AjTki8HTBZSN0aVhnRDaL1qcQ_cyMu0/edit#gid=718125404
IV. Who’s Behind Philly’s Bid?

The Planners

Philly spent $245,0002 to put together “#PhillyDelivers,” their Round One offer to Amazon.\(^{32}\) Now that the city has qualified for Amazon’s top 20 they’re hiring McKinsey, a $1 million dollar per month firm to help write their Round Two Bid close the deal\(^ {33}\). A large team worked with Mayor Kennedy to prepare the city’s first round bid, including:\(^ {34}\)

CEO John Grady (Philadelphia Industrial Development Corporation); CEO Matt Carney, Select Philadelphia; John Fry, Chair of Greater Philadelphia Chamber of Commerce; President of Drexel.

Rob Wonderling, Greater Philadelphia Chamber of Commerce; Mayor Jim Kenney; Commerce Director Harold Epps; City Planning & Development Director Anne Fadulon.

*Who Got A Say In This?*

The Philadelphia Industrial Development Corporation (PIDC) and City of Philadelphia Commerce Department led the HQ2 bid process, with significant support from the Greater Philadelphia Chamber of Commerce.\(^ {35}\) Chamber of Commerce Chairman (and Drexel University President) John Fry coordinated letters of support for Amazon from Philadelphia’s business community\(^ {36}\) and hosted the official event for the city’s bid submission.\(^ {37}\) See here for a more detailed map of the players who assembled and supported Philadelphia’s HQ2 bid.


\(^{35}\)https://chamberphl.com/2017/10/phillydelivers-working-to-bring-amazon-to-greater-philadelphia/


The PIDC is Philadelphia’s public-private development corporation. It is governed by a thirty-member Board of Directors, appointed by the Mayor and the President of the Greater Philadelphia Chamber of Commerce. The board of directors consists of:

“seven City Directors (the President of City Council, the Mayor, and five designated ex officio members of the Mayor’s administration), eight Chamber Directors nominated by the President of the Greater Philadelphia Chamber of Commerce (the Chamber), and 15 Public Directors nominated jointly by the Chamber President and the City Director of Commerce. The Board’s Executive Committee is made up of 15 people, the seven City Directors and eight Chamber Directors.”

The current board is listed below. For clarity and brevity, we’ve listed only the corporate affiliates of voting members.

If you count up the votes, the City has 8 and business groups have a total of 21. Of the city’s board members, only 3 of 8 are officials elected by the public. The only board member not listed above is the board chair, who holds the decisive vote.

**The Chairmen**

The Chairmen of the PIDC and the Greater Philadelphia Chamber of Commerce are two very powerful men in Philadelphia.

![Walter D’Alessio](image)

**Philadelphia Industrial Development Corporation (PIDC)**

The PIDC’s board is headed by real estate investment consultant, former Chairman of Brandywine Realty Trust, and Philadelphia power broker **Walter D’Alessio**. He has played a key role in the Philadelphia development scene since the 1970s, and his greatest hits include: the stadiums, the convention center, The Gallery at Market East, Franklin Town, and Independence Mall, and the expansions of the University of Pennsylvania, Temple University, and Drexel University. He was also Executive Director of the Philadelphia Redevelopment Authority when the organization seized and cleared low income neighborhoods in Society Hill for revitalization. He also runs Keystone Alliance, a

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38 [http://www.pidcphila.com/who-we-are](http://www.pidcphila.com/who-we-are)
40 [http://www.pidcphila.com/who-we-are/leadership/board-of-directors7](http://www.pidcphila.com/who-we-are/leadership/board-of-directors7)
42 [https://www.bizjournals.com/philadelphia/stories/2005/02/14/focus1.html](https://www.bizjournals.com/philadelphia/stories/2005/02/14/focus1.html)
43 [https://webcache.googleusercontent.com/search?q=cache:75iSgTBDueEJ:https://](https://webcache.googleusercontent.com/search?q=cache:75iSgTBDueEJ:https://)
PAC committed to funding Sen. Pat Toomey and other PA republicans. His résumé gives us a look at the revolving door between government work and the corporate sector—and at the kind of people who serve on these boards and have controlled development in Philadelphia since the creation of PIDC. See here for a closer look at Walter D’Alessio’s power networks.

Greater Philadelphia Chamber of Commerce

Drexel University President and real estate development guru John Fry is the Chairman of the Board of Directors of The Greater Philadelphia Chamber of Commerce (GPCC). Fry has played a key role in the expansion of Drexel and UPenn from the late nineties on. While he was the Executive VP at UPenn under Judith Rodin, Fry spearheaded UPenn’s “Agenda for Excellence” and was a founding member and [president] of the University City District, both of which have been linked the trend of displacement in the area since 2000. At Drexel he has “championed major neighborhood initiatives including the the Lindy Institute for Urban Innovation and the Dornsife Center for Neighborhood Partnership as well as Drexel’s enhanced Employee Home Purchase Assistance Program” mirroring his work at Penn. He is currently spearheading the Schuylkill Yards Project with Brandywine Realty Trusts’ Gerard Sweeney, which aims to intensify development in West Philadelphia and extend the Center City skyline into West Philadelphia. See here for a closer look at John Fry’s power networks.

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http://www.cityandstatepa.com/content/under-radar-power-players-you-need-know;
http://www.keystonepac.org/
https://chamberphil.com/about/board-of-directors/
http://drexel.edu/president/john-fry/biography/
https://drexel.edu/president/john-fry/biography/
Did any Community Groups Have a Say?

According to the city, a group of “Philadelphia’s ethnic business associations, small businesses and community development associations participated in weekly calls and shared their perspectives on the Philadelphia region’s proposal.” While there are 428 supporters and contributors listed in the city’s bid, including many members of the boards above, we weren’t able to find participants in the conference calls listed anywhere in the bid.

<table>
<thead>
<tr>
<th>Owner</th>
<th>Total Property Value</th>
<th>Total Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>University City Science Center</td>
<td>$379 million</td>
<td>120</td>
</tr>
<tr>
<td>Westphal Science and Technology</td>
<td>$160 million</td>
<td>4</td>
</tr>
<tr>
<td>Brand Box Ready Town</td>
<td>$173 million</td>
<td>1</td>
</tr>
<tr>
<td>Philadelphia Authority For Residential Development (PAID)</td>
<td>$128 million</td>
<td>18</td>
</tr>
<tr>
<td>UPenn</td>
<td>$39 million</td>
<td>1</td>
</tr>
</tbody>
</table>

Real Estate developers stand to cash in on HQ2

Amazon’s influx of 50,000 $100k/yr earners could cause rents to skyrocket city-wide. Based on development patterns around other white-collar employers and anchor institutions in the city—such as UPenn, Drexel, and the Comcast Center increases are likely to happen in areas close to these sites. These two maps take a look at overlap between high risk areas for displacement and areas of racial concentration in the city.

The sites offered by the bid planners are all within a mile of some of the communities most at-risk for displacement. These include: Mantua, Strawberry Mansion, Belmont Kingsessing, Cobbs Creek, South Philly: West Passyunk, Girard Estates, Point Breeze, Forgotten Bottom, and Moyamensing.

50. https://docs.google.com/spreadsheets/d/1RSTJvogVf8sc1UfyvcBp4_YLOeGsfl1Ex9Dc8_Gq9yE/edit?usp=sharing
5. What could HQ2 bring to Philly?

So far, Philadelphia’s elected officials and CEOs have enthusiastically courted Amazon. They’ve made no mention of the potential downsides to HQ2, nor have they acknowledged the policies they’d need to put in place to ensure that HQ2 would benefit all Philadelphia residents (not just Jeff Bezos and Amazon’s white-collar employees.)

Amazon has promised that HQ2 will bring up to 50,000 high-paying jobs and $5 billion in real estate investment. But there is a growing chorus of advocates, public policy experts, and journalists calling attention to the downsides of “winning” HQ2 and the negative ways HQ2 could impact a region’s residents.

Climbing housing costs and displacement

There is widespread agreement amongst housing policy experts and real estate industry analysts that HQ2 will drive up rent and home prices. Many people look at Seattle, home to Amazon’s current headquarters, to understand the impact HQ2 could have on a city’s housing market. It is difficult to overstate the effect Amazon has had on the city; a Fast Company article from 2017 put it plainly: “How Amazon’s Nonstop Growth is Creating a Brand New Seattle.”

For people who are not white-collar tech employees, the housing market in Seattle is bleak. According to a Washington Post article entitled “What would happen if Amazon brought 50,000 workers to your city? Ask Seattle:”

Seattle is one of the most expensive places in the United States to live, forcing lower-income residents to move to far-off suburbs. The city and surrounding King County declared a state of emergency in 2015 over homelessness.

Since then, the problem has worsened. Rents in King County have more than doubled in the past 20 years and gone up 65 percent since 2009. Seattle spends more than $60 million annually to address homelessness, up from $39 million four years ago.

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52 For a list of proposals to ensure HQ2 would benefit all city residents, see: https://ourhq2wishlist.org/
“We started seeing apartment listings that would say, ‘No deposit needed and priority for Amazon, Microsoft and Google employees,’” said Rachael Myers, executive director of the Washington Low Income Housing Alliance, a Seattle-based advocacy group. She said the area is “in the midst of the greatest affordable-housing and homelessness crisis that our state has ever seen.”

The same article continues:

*Officials at Bellwether Housing, the city’s largest nonprofit manager of affordable housing, at 2,000 units, report a vacancy rate of 1 percent. “It’s very rare that someone moves out, because they have nowhere else to go,” said chief executive Susan Boyd.*

Amazon’s headquarters is not the only factor driving housing unaffordability in Seattle, but it is a major one. Without significant investment in affordable housing and safeguards to prevent displacement, HQ2 could bring the same extreme housing and homelessness crisis to Philadelphia.

**50,000 well-paying jobs—but for who?**

Amazon has said that its second headquarters will include up to 50,000 high-paying jobs with an average salary of $100,000 a year. Many Philadelphians could surely use those jobs. Philadelphia is the poorest big city in the United States. It has the second highest rate of working age adults who have dropped out of the workforce. More than 1 in 4 Philadelphians live below the poverty line ($24,000 a year for a family of four) and of these households, half are in “deep poverty,” which is defined as a household income of less than $12,000. Its residents are 44.1 percent black, 35.8 percent white, 13.6 percent Latino and 7.2 percent Asian. In particular, the city’s majority African American neighborhoods have extremely high unemployment rates.

According to a study by OIC of America:

> In 2009, during the worst months of the great recession, the national unemployment rate peaked at 10.0%. In many Philadelphia neighborhoods, however, an unemployment rate of 10.0% would be considered an economic miracle. In 2013 the official unemployment rate in the 19132 zip code of North Philadelphia (between 60.1-97.4% Black or African American) was 24.5%. In some neighborhoods, 70% of adults are not working.

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61 http://quickfacts.census.gov/qfd/states/42/42101.html
Amazon has not committed to implementing local hiring practices or measures to ensure that high-paying HQ2 jobs are made accessible to Black, immigrant, formerly incarcerated, unemployed, and other people who have been traditionally excluded from the economy.

Looking at Amazon’s current workforce can give us some clues about who will get the white-collar HQ2 jobs if those measures are not put in place. In its only publicly released diversity report, Amazon disclosed that its staff is overwhelmingly white and male. Some 63% of its "Amazonians" were male, while white employees made up 60% of the workplace. Those percentages were even higher for employees in managerial positions, of which 75% were male and 71% were white. Black people made up 15% of Amazon’s global employees, but only 4% of its managers. Only 37% of their workforce was women. A disproportionately large number of Black and Hispanic employees in the United States work at its warehouses and in other low-paying positions.

Of course, it will not be only engineers, economists, and data scientists working at HQ2. There will also be cafeteria workers, janitors, security officers, and other onsite service workers. Again, Amazon has not committed to ensuring that those positions will be high-quality jobs paying a living wage with good benefits. This sets the stage for intense economic stratification.

After the HQ2 announcement, Seattle journalist Paul Roberts wrote an an article entitled “This is What Really Happens When Amazon Comes to Your Town,” in which he described Amazon’s impact on Seattle, including increased economic stratification:

WHAT WAS ONCE A QUIRKILY MELLOW, SOLIDLY MIDDLE-CLASS CITY NOW FEELS LIKE A STRESSED-OUT, TWO-TIER TOWN WITH A THIN LAYER OF WEALTHY YOUNG TECHIES ATOP A BASE OF ANXIOUS WAGE WORKERS. AS ONE CITY COUNCIL MEMBER PUT IT, HQ2 MAY GIVE SEATTLE “A LITTLE BREATHING ROOM” TO COPE WITH A DECADE OF RAGING, AMAZON-FUELED GROWTH. A COMMENTER ON A LOCAL NEWS SITE WAS LESS DIPLOMATIC: “AMAZON = CANCER.”

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67 https://www.politico.com/magazine/story/2017/10/19/amazon-headquarters-seattle-215725
Corporate welfare on steroids

Philly’s publicly released information on its HQ2 bid does not include the amount of taxpayer money the state and city would give up for Amazon. Chamber of Commerce President Rob Wonderling said Pennsylvania officials planned to offer Amazon more than $1 billion in tax incentives for HQ2. Philadelphia Councilman David Oh proposed legislation that would waive the city’s business net income tax for Amazon for ten years, which would mean up to $2 billion in taxes avoided. 68 So, there are up to $3 billion in tax breaks on the table for Amazon.

A significant body of research shows these tax subsidy packages are wasteful and frequently do not deliver on their promises. Indeed, a Good Jobs First study on these “megadeals” found that cities pay nearly $500,000 per job created.69

Amazon’s demands for taxpayer dollars are especially egregious in light of Amazon and its CEO Jeff Bezos’ extreme wealth. Earlier this year, Bezos became the richest person in history when his net worth hit $105.1 billion. 70 Amazon is now the world’s second most valuable company, trailing only Apple.71

Amazon is no stranger to massive tax breaks and tax avoidance. Over the past two decades, it has dramatically expanded its warehouse and logistics networks with the help of taxpayer dollars. In fact, Good Jobs First found that Amazon has received $1.115 billion in tax breaks from 129 communities across the U.S. since 2000. Amazon is now the leading recipient of “economic development” subsidies in the country, surpassing even Walmart.72 This is no accident. Indeed, according to a recent New Republic article:

[It] was the result of a concerted strategy by Amazon. In 2012, the company hired Michael Grella, a specialist in economic development tax credits. The company created an entire team just to seek out these subsidies, in a continuation of its strategy to work the tax code to its advantage—first by not collecting sales tax and offering an effective discount on every product, and more recently to lower the cost of building new shipping facilities.

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69 https://www.goodjobsfirst.org/megadeals
72 https://newrepublic.com/article/146540/amazon-thriving-thanks-taxpayer-dollars
Amazon’s tax avoidance strategies are not only employed at the state level. In 2017, the company reported $5.6 billion of U.S. profits but paid no federal taxes.\textsuperscript{73}

In Philadelphia, massive tax breaks for Amazon would divert resources from needed investment in education, housing, and healthcare programs. Action Center on Race and the Economy noted that tax breaks for Amazon “set up a system that will inevitably lead to growing racial and economic inequities in whichever metropolitan area the mega corporation selects.”\textsuperscript{74}

**Infrastructure and public service strain**

An injection of 50,000 employees and 8 million square feet of headquarters could strain Philadelphia’s existing infrastructure—everything from schools and transit to trash-hauling and water and sewer services. If Amazon bears none of these new costs, current residents will be faced with lower-quality public services and higher taxes. Again, we can look at Seattle for some insight into how HQ2 could impact Philadelphia. The *Washington Post* noted:

> Over the past decade, Amazon and founder Jeffrey P. Bezos...have added new products and business units at a breakneck speed and expected public partners to keep pace. In Seattle, that meant rebabbing an area of more than 350 acres at a cost to taxpayers of hundreds of millions of dollars in ongoing transportation and infrastructure upgrades expanding public transit, road networks, parks and utilities.\textsuperscript{75}

Of course, increased investment in public transit, road networks, parks, and utilities could be beneficial to Philadelphia’s current residents. But it is also possible that infrastructure investments would only happen near Amazon projects—not throughout the entire city. For example, last summer Seattle added more buses just to handle Amazon’s summer interns.\textsuperscript{76} Concerns about this uneven development prompted Action Center on Race and the Economy to call on cities to “make sure that infrastructure investments are not simply in the main core near Amazon projects, but throughout the entire city, starting first with those black and brown communities that have historically been on the losing end of of infrastructure investments.”\textsuperscript{77}

\textsuperscript{74}https://medium.com/@acrecampaigns/amazons-racial-inequality-prime-fe6ba15fe2d5
\textsuperscript{75}https://www.washingtonpost.com/business/economy/what-would-happen-if-amazon-brought-50000-workers-to-your-city-ask-seattle/2017/10/19/1d383c78-b359-11e7-be94-fabb0f1e9ff6_story.html
\textsuperscript{76}https://www.seattletimes.com/seattle-news/transportation/the-amazon-effect-metro-adds-buses-to-handle-hundreds-of-summer-interns/
\textsuperscript{77}https://medium.com/@acrecampaigns/amazons-racial-inequality-prime-fe6ba15fe2d5
Although Amazon’s current headquarters is located in Seattle, the company’s ever-expanding reach means it increasingly plays a significant role in the economics and politics of all fifty states. We took a closer look at Amazon’s current operations in Pennsylvania to get a sense of the company’s footprint in our state and found that—even if HQ2 doesn’t come to Pennsylvania—Amazon is still a powerful corporate force that plays an important role in shaping the state’s economy.

Amazon is not new to Pennsylvania. In fact, Pennsylvania already plays a strategic role in the enormous logistics and warehouse network that allows Amazon to offer such fast delivery times. From the Lehigh Valley, a trucker can reach about 40% of the U.S. population in a one day drive. Because of this, Pennsylvania is one of Amazon’s top five distribution hubs in the country. Amazon runs thirteen distribution and sortation centers, three delivery stations, and one inbound dock station in the state. As of 2016, Amazon’s thirteen fulfillment warehouses and distribution centers covered nine million square feet—“twice as much floor space as Philadelphia’s two Liberty Place high-rises, plus Comcast’s headquarters towers, combined.” These warehouses are located primarily in the areas around the Lehigh Valley, Harrisburg, and Scranton, PA. See a map of Amazon’s locations in the state.

Along with their logistics and fulfillment operations, Amazon has one Amazon Web Services, or cloud computing, location in Philadelphia. Through Amazon Web Services, the company essentially leases space to users to store data - or what some know as “the Cloud.” Amazon Web Services is the most profitable

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82http://www.philly.com/philly/business/20160828_Giant_Footprint.html
segment of the company. It is on track to make $16 billion this year, dwarfing the part of Amazon that most of us know, which sells goods online.85

Amazon also operates one corporate office in Pittsburgh, which recently announced plans to expand.86 The Pittsburgh office is one of several “regional innovation offices” operated by the company in the U.S.87 Engineers at the Pittsburgh office primarily work on Amazon’s Alexa technology, machine translation, and Amazon Web Services.88

An increasingly influential statewide employer

Amazon is the 19th largest employer in Pennsylvania, employing nearly 10,000 people, according to the Pittsburgh Post Gazette.89 The vast majority of those employees are warehouse workers.90 A 2016 Philadelphia Inquirer article noted, “If [Amazon] keeps adding warehouse workers, bosses, and support staff on schedule, it will in a few years employ more Pennsylvanians than now work at each of Comcast, Vanguard, Merck, and Wawa - at least until robots take over picking and packing the millions of boxes that Amazon ships daily.”91

Amazon has a reputation as anti-union92 and in recent years many news reports have detailed the harsh working conditions in Amazon warehouses— a grueling pace or work,93 not being allowed to talk to co-workers,94 employees fainting when warehouse temperatures passed 100 degrees,95 mistreatment of Muslim workers requesting time and space to pray during the day,96 and a different set of rules, compensation, and benefits for the thousands of temporary workers that Amazon employs.97

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86 https://www.governor.pa.gov/wolf-administration-celebrates-expansion-existing-amazon-tech-hub-pittsburgh-creation-100-jobs/
96 https://thinkprogress.org/amazons-security-contractor-accommodate-muslim-workers-d01ec7d1b181/
97 https://www.huffingtonpost.com/entry/amazon-temp-workers-who-deliver-the-holidays-are-getting-squeezed_us_5a2f0a20e4b078950282f6e4
Even Lehigh Valley Economic Development Corporation President Don Cunningham seems to acknowledge that the jobs Amazon does create haven’t always been the best jobs.98

“The emergence of [logistics and fulfillment] has been an overall positive development for the Lehigh Valley, Cunningham said. ‘When you have full employment in that sector of your workforce it’s good,’ he said. ‘Fifteen dollars an hour still doesn’t translate into a great wage in the United States, but you would have a lot of folks in the criminal justice system or needing help from human services without these jobs and it has really created a productive sector.”

Pennsylvania has already given Amazon millions of dollars in tax subsidies

While cities are willingly giving away billions of dollars to woo Amazon to locate HQ2 in their city, Amazon has already taken millions in Pennsylvanians’ money. In 2016, the state of Pennsylvania awarded Amazon $22,250,000 in subsidies to expand its fulfillment and distribution centers.99 In exchange, Amazon committed to creating 5,000 jobs over 3 years. The Business Journals reported Amazon has received a total of $24,750,000 in subsidies from the state of Pennsylvania.100 That figure puts them at number 17 in a ranking of the top 20 states that have pledged the most taxpayer subsidies to Amazon.101

Additionally, prior to 2011 Amazon did not pay sales tax in Pennsylvania. Governor Tom Corbett’s administration agreed not to collect back sales taxes that Amazon and its customers hadn’t paid. The state Revenue Department estimated uncollected taxes from Amazon sales in the state at $380 million for 2011 alone. Amazon agreed to begin collecting Pennsylvania sales taxes starting in September 2012.102

Pennsylvania’s Vanguard is one of Amazon’s biggest shareholders

Massive asset manager Vanguard is Amazon’s largest institutional shareholder, with a 5.76% stake in the company as of December 2017.103 Vanguard is headquartered in Valley Forge, Pennsylvania and is one of the most influential corporations in the state.

Amazon’s 2018 campaign cash in Pennsylvania

99https://subsidytracker.goodjobsfirst.org/prop.php?parent=&statesum=&fedsum=&major_industry_sum=&hq_id=&company_op=starts&company=amazon&major_industry%5B%5D=&hq_id=&free_text=&subsidy_level=&subsidy_op=%3E&subsidy=&face_loan_op=&face_loan=&subsidy_type%5B%5D=&sub_year%5B%5D=&state=PA&program%5B%5D=&city=&county=&federal=
100https://www.bizjournals.com/bizjournals/maps/the-amazon-effect
According to the Center for Responsive Politics, Amazon has spent almost $1 million on the 2018 election cycle so far.\textsuperscript{104} Pennsylvania Senator Bob Casey has received $10,460 in Amazon cash this election cycle, putting him in the top 10 recipients of Amazon dollars.\textsuperscript{105}

\textit{Expected growth in Pennsylvania}

Even without Amazon locating HQ2 in Pennsylvania, Amazon is expected to grow to have 13,200 employees in Pennsylvania by 2019.\textsuperscript{106} Amazon’s Woot! Apparel Manufacturing and distribution and sortation center is planned to open in Norristown in early 2018 and Amazon recently announced that an Amazon Prime Now hub will be located in West Philadelphia, on the 41st block of Sansom.\textsuperscript{107} Amazon’s recent purchase of Whole Foods means that they added an additional 13 locations in Pennsylvania to their portfolio.\textsuperscript{108} 

\textsuperscript{105}https://www.opensecrets.org/orgs/recips.php?id=D000023883 HTTP://WWW.OPENSECRETS.ORG/ORGS/SUMMARY.PHP?ID=D000023883&cycle=2018  
\textsuperscript{107}http://www.westphillylocal.com/2018/03/08/amazon-prime-now-confirmed-for-41st-and-chestnut-warehouse/  
\textsuperscript{108}https://www.wholefoodsmarket.com/stores/list/state
7. Conclusions & Recommendations

The Amazon HQ2 process has been extremely opaque. In Philadelphia, the PIDC has not released most of the significant details about what the city is offering Amazon. There has been no official public forum for residents to ask questions or voice their opinions about HQ2. Amazon has made no public commitments on issues such as preserving affordable housing, investing in public services and infrastructure, or ensuring that all of its workers (including warehouse workers and service workers on the HQ2 campus) have safe, family-sustaining jobs where their rights are respected. Philadelphians have been left to wonder how HQ2 might affect everything from our schools to our housing and local traffic.

But it is not too late for both the City of Philadelphia and Amazon to take steps to ensure that the HQ2 process is done in a transparent and democratic way that allows for substantive input from Philadelphia’s residents. There is also the opportunity for Amazon to partner with communities to ensure that its HQ2 does not negatively impact the current residents of whichever city it chooses, but rather generates opportunities and benefits for people who currently live and work there.

In October, more than 125 community groups—including 15 in Pennsylvania—signed on to an open letter to Amazon CEO Jeff Bezos, listing their own “HQ2 wishlist” and calling for meaningful negotiations between Amazon and community stakeholders in whichever city is ultimately selected for HQ2 regarding community benefits. The open letter outlines a broad array of ways Amazon can ensure its new headquarters does not harm, displace, or leave out current residents, making demands related to three key areas: employment, infrastructure and public services including housing, transit, and schools, and accountability/transparency. The vision outlined in the “Our HQ2 Wishlist” is an excellent starting place to ensure that—if HQ2 comes to our city—it benefits all Philadelphians, rather than just Amazon’s bottom line.

Building off of the “Our HQ2 Wishlist,” our recommendations are:

- **The City of Philadelphia should re-release its first round HQ2 bid in full, with no redactions, including all information about tax incentives.** It should join together with the 19 other localities that have made it to the second round to refute Amazon’s non-disclosure agreement and release its second-round bid as well.
- **The City of Philadelphia should commit to offering no special tax breaks for Amazon.**
- **If Philadelphia is selected for HQ2, the City should do everything in its power to ensure that HQ2 benefits all Philadelphia residents, including low-income people, people of color, unemployed people, and formerly incarcerated people.** The “Our HQ2 Wishlist” lays out a vision for how this can be done. The City should play a meaningful role in facilitating negotiations between community stakeholders and Amazon and ensure that HQ2 will get no local project approvals until the company enters into a legally-binding Community Benefits Agreement and

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109 [https://ourhq2wishlist.org/](https://ourhq2wishlist.org/)
other legally binding agreements with community stakeholders that cover issues including affordable housing, local hiring, job quality standards for all of Amazon’s employees in the state, job training and mentoring programs, and transit system improvements.

- **As part of their second round site visits, Amazon should meet with concerned community groups in the places they are visiting.**
- **Amazon should renounce any special tax breaks and commit to paying the same sales, property, and income tax rates as small businesses in whichever place it chooses for HQ2.**
- **Amazon should commit to a process for establishing legally-binding Community Benefits Agreements in whichever place it chooses for HQ2.** These Community Benefits Agreements would cover issues including affordable housing, local hiring, job quality standards for all of Amazon’s employees in the state, job training and mentoring programs, and transit system improvements.